FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1984	208.4	208.4	535.3	535.3	2242.2	2242.7	10.29	10.29	9.84	9.84
May	210.0	210.0	541.0	541.0	2259.6	2258.4	10.32	10.32	10.31	10.31
June	212.9	212.8	546.2	546.2	2273.0	2272.0	11.06	11.06	10.51	10.51
July	213.0	212.5	547.3	545.6	2285.5	2281.4	11.15	11.23	10.50	10.52
August	214.1	212.7	550.2	546.4	2296.2	2290.1	11.31	11.64	10.46	10.61
September	215.3	215.0	553.3	549.0	2307.5	2304.7	11.32	11.30	10.55	10.47
October	216.7	214.6*	557.8	547.5*	2322.4	2318.4*	11.30	10.03*	10.43	9.87*
November	218.3	215.4	561.2	550.3	2343.6	2335.9	11.35	10.05	10.47	9.82
December	219.9	216.6	564.6	554.3	2366.2	2355.9	11.33	10.37	10.52	10.01
January 1985	221.2	217.8	568.3	559.3	2384.6	2378.5	11.62	10.76	10.67	10.06
February	222.6	218.9	572.1	562.6	2400.2	2396.6	11.76	10.68	10.76	10.05
March	224.1	220.1	575.8	565.9	2415.9	2414.8	11.91	11.02	10.85	10.33
April	225.5	221.5	578.9	569.9	2435.7	2433.1	12.27	11.17	11.02	10.45
May	226.9	222.6	582.4	573.2	2456.9	2451.6	12.53	11.43	11.20	10.56
June	228.3	224.0	586.1	576.6	2477.3	2467.8	12.46	11.56	11.17	10.51
July	229.7	224.9	589.0	579.3	2495.2	2484.1	12.02	11.52	10.72	10.38
August	231.0	226.2	591.8	580.9	2509.8	2498.8	11.75	11.24	10.43	10.32
September	232.3	227.4	594.6	584.4	2524.7	2517.9	11.48	11.06	10.29	10.21

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1984	12.81	12.81	10.19	10.19	10.18	10.18	10.41	10.41	11.93	11.93
May	13.28	13.28	10.49	10.49	10.65	10.65	11.11	11.11	12.39	12.39
June	13.55	13.55	10.67	10.67	10.98	10.98	11.34	11.34	13.00	12.60
July	13.43	13.44	10.48	10.42	11.18	11.19	11.52	11.56	13.00	13.00
August	13.07	12.87	10.13	10.06	11.30	11.18	11.73	11.47	13.00	13.00
September	12.62	12.66	9.72	10.03	11.32	11.04	11.80	11.29	13.00	13.00
October	13.06	12.56*	10.12	10.22*	11.30	9.86*	11.71	10.18*	13.00	12.59*
November	13.39	12.68	10.47	10.33	11.26	9.94	11.59	10.27	13.00	12.00
December	13.72	12.72	10.84	10.41	11.25	10.22	11.55	10.58	13.00	12.00
January 1985	13.52	12.89	10.68	10.43	11.58	10.53	11.88	10.87	13.37	12.33
February	13.46	12.95	10.57	10.36	11.71	10.58	11.99	10.93	13.50	12.50
March	13.51	13.11	10.61	10.53	11.90	10.84	12.17	11.26	13.78	12.89
April	13.59	13.28	10.74	10.69	12.07	11.06	12.38	11.38	14.00	13.00
May	13.92	13.35	11.14	10.72	12.36	11.37	12.63	11.65	14.36	13.07
June	13.74	13.17	10.94	10.54	12.30	11.47	12.65	11.72	14.50	13.50
July	13.41	13.02	10.54	10.33	11.98	11.53	12.36	11.88	14.43	13.50
August	13.17	12.83	10.30	10.07	11.74	11.29	12.07	11.59	13.93	13.50
September	13.08	12.76	10.20	9.95	11.39	11.08	11.68	11.41	13.42	13.26

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

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MONTHLY PROJECTIONS
NOVEMBER 1984

Dr. Donald Ratajczak, Director
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TAX REFORM UNCERTAINTY COULD SPELL RECESSION

Throughout the current inventory imbalance, which apparently began in July, it was assumed that consumer spending took a moderate rest. Production growth would slow, with the possibility of one or two months of production decline, but a rebound in consumer spending toward the Christmas season would limit the degree to which production would need to correct. To the extent that the inventory correction would restrain price increases and moderate interest rates, consumer spending would be stronger early in 1985 and housing activity would rebound, leading to a reasonable rate of economic growth. It now appears that sales will not be rebounding as much as originally anticipated.

In fact, our November forecast assumed that consumers would be willing to accept a significant slowing in their savings' program during 1985. Early in the year, this savings reduction would lead to reasonably strong economic growth. Later in 1985, however, the impact of reduced growth in hours worked and continued restraint in wage changes would lead to reduced consumer purchasing power. Thus, recessionary tendencies could materialize late in 1985. However, the consumer appears to be concerned with debt servicing currently required to support the $460 billion of consumer credit outstanding. More significantly, interest on this debt has not materially declined despite the weakening of interest rates late in 1984. With no substantial fears of resurging inflation, more consumers appear to be opting for the choice of saving prior to purchasing rather than buying now and paying later. As a result, sales are not rebounding as much as originally anticipated, leaving the inventory imbalance in place for a longer period of time.

By itself, consumer hesitancy would not be sufficient to generate a recession in 1985. Government spending on goods and services remains strong. Declining interest rates should intensify housing activity, at least until recessionary worries restrain housing demand at any prevailing rate of interest. Although the trade accounts could continue to deteriorate, the spread of orderly marketing arrangements, the maintenance of economic expansion in Europe and the Pacific basin, the beginning of economic recovery in Latin America, and the already large penetration of imports in the exposed domestic markets suggest that further deterioration on the trade accounts should not be substantial.

While all of these factors suggest that sluggish economic activity is likely in 1985, they do not point to a recession.

However, the proposed tax reform and budgetary cuts being debated in Washington may extract enough fiscal thrust and stall enough investment projects to generate the recession that otherwise might be avoided. Of course, monetary economists already are claiming that Federal Reserve policy has been sufficiently restrictive to dictate a recessionary outcome. Our analysis suggests that, at least, this time, the money stock reflects prevailing economic conditions and should not be used as a guide to predict future economic outcomes. The Federal Reserve apparently pursued inappropriate policy during the summer months, when it restricted the growth of the monetary base during a period when the dollar was rallying strongly in foreign currency markets. In effect, an increasing nondomestic demand for money was not being accommodated by the Federal Reserve. The decline in the money stock during the fall, however, clearly reflects a collapse in the money multiplier and occurred as rates on commercial paper fell sharply below federal funds rates. This suggests that a weakening in private demand for funds initiated the slowing in monetary aggregates. To be sure, the Federal Reserve was slow to inject new reserves into the banking system, possibly under the mistaken fear that this would cause the dollar's value to plummet. However, the decline in M1 during October is associated with weak money demand rather than restraint on the money supply.

Without closely examining all the factors related to the tax reform package, several basic things should be identified. First, the Treasury program seeks to develop an inflation-neutral tax code. Because ACRS depreciation guidelines were established on an arbitrary basis, which achieves neutrality in resource allocations only if capital goods inflation persists at approximately 7%, sharply reduced inflationary rates for capital goods have led to a tax reduction windfall for those increasing capital stock. This is the major reason why the Treasury proposal sharply increases the corporate tax-take while establishing inflation neutrality. Adjustments for the inflation component of interest income, adjustments for the cost basis of property and the treatment of capital gains, and adjustments for inventory charge-offs all are consistent with the inflation neutrality objective.

Second, the Treasury's proposal tries to establish resource allocation neutrality. Thus, the use of tax exempt financing for private purposes is disallowed. The investment tax credit, a device for encouraging capital intensity, is eliminated. Private purpose business deductions, such as corporate box seats at athletic events, is denied. Possible interregional allocation distortions through differential use of state and local taxes is addressed by repealing tax deductibility. (Although the argument for repeal of this deduction is not compelling. Apparently, the Treasury proposal needed sufficient revenue offsets to permit a meaningful reduction in marginal tax rates.) Beginning to tax employer contributions to employee benefits also addresses the resource allocation issue.

Close inflation neutrality and reduced resource distortions are where the tax codes have considerable merit. Indeed, the inflation neutrality proposals are worthy of enactment, despite their impact upon raising current corporate taxation. However, the tax proposals are not neutral in their impact upon economic conditions or upon the livelihood of several industries. Real estate development and oil and gas exploration are sharply penalized by the tax reforms. In the case of real estate shelters, the only possible offset is on

the basis adjustment for those properties that have not experienced substantial price appreciation in recent years. Changes in marginal tax rates reduce the attractiveness of real estate investments. For that reason, the real estate industry effectively has no offset from the repeal of ACRS, denial of ITC, changing capital gains provisions for those properties that have commanded significant price appreciation, and a reduced interest rate deductibility for other than the primary residence. Also, the economic attractiveness of the primary residence is reduced, for the reduction of marginal tax rates reduces the value of the mortgage deduction. However, single family housing should not be appreciably influenced by these tax provisions. (Repeal of tax exempt financing for mortgage subsidies could reduce the demand for housing at the lower end of the housing spectrum.) The impact upon rental housing, commercial real estate, and office facilities, is substantial. In all cases, properties must generate substantial property income to offset the diminished tax advantage. Thus, properties would need to produce more rental income in order to command the same market prices that they currently are receiving. It is incorrect, however, to assume that rents will immediately rise. In fact, existing facilities will try to lower their acceptable vacancy rates. The net effect will be to create a glut of available space. Rents initially will fall even as property values will decline. Although all estimates must be speculative, the market value of real estate wealth probably would decline by more than 5%, more than a quarter trillion dollars. Such a decline in the market value of wealth holdings will intensify financial instability and will further discourage consumer spending.

Of course, the decline in prices of existing facilities and the temporary space glut that will reduce the ability to raise rents, will sharply reduce real estate development. A significant drop in construction activity for rental, commercial, and office space should follow. In the long run, the real estate industry will rebound, after the decline in construction activity leads to supply conditions that once again will permit rents to rise sufficiently to justify new construction. Vacancy rates will be sharply reduced. Probably, the equilibrium vacancy rate for rental properties will fall to less than 4% while vacancy rates for office buildings will fall to the 6-7% rate that prevailed in the early 1970s when tax distortions were not substantial. It is inconceivable that the adjustment to that new equilibrium in real estate usage and construction can be achieved without a significant economic decline.

As gains in total factor productivity no longer are showing sustantial improvement over their performance in the 1970s, it appears that increased capital intensity has not been efficiently allocating productive resources. Indeed, such resource misallocation is a major argument for regaining inflation neutrality in the tax codes. Nevertheless, the capital spending boom that developed in late 1983 and early 1984 partially reflected favorable tax treatment. Repeal of ACRS almost certainly would slow capital spending. During a period of time when consumer spending no longer appears to be vigorous, such a tax adjustment would eliminate the investment prop from further economic expansion in the current business cycle. Because the capital stock other than real estate is relatively rapidly exhausted in its productive use, the wealth effect associated with a tax change on depreciation would not be dramatic. However, assuming a 2-3% reduction in the market value of existing capital and assuming that equity financing is less than half the ownership of that capital, equity values could fall approximately 8%. This would reduce another $150 billion from the current market value of household wealth holdings.

In short, a recession almost certainly would materialize upon enactment of the tax reform proposal. Indeed, as the wealth effects are not insignificant and the impact upon reduced investment desires is substantial, the magnitude of the recessionary correction could be more significant than any economists have assumed. On the other hand, the program redresses an imbalance between savings and investment that was generated by the 1981 tax package. Real rates of interest almost certainly would decline even as the recession would be pushing government deficits upward. The recession, itself, probably would be sufficient to restrain inflationary pressures by more than the amount that inflation would be stimulated through the removal of reduced tax liabilities. Thus, market rates of interest should fall significantly. Of course, the recession and declining market rates almost certainly would discourage foreign investors from holding U. S. currencies. The dollar should fall significantly in value, ultimately redressing some of the trade imbalances that currently prevail. This correction in currency values probably would increase inflationary pressures.

In summary, full enactment of the tax reform proposals by the Treasury almost certainly would create a recession, would lead to economic conditions that would sharply reduce the dollar's value, possibly by 20-25%, would lead to both reduced real and nominal interest rates, but would improve the efficient use of capital resources. Thus, the longer term growth path probably would increase after the recessionary adjustment has been completed. Equity values probably would fall, although the degree of vulnerability might be limited to less than 10%.

Certainly, such results as outlined above may be sufficient to doom the tax proposals. However, some portion of those proposals may be enacted, and would have some impact upon restraining construction and capital spending in 1985 and beyond. For this reason, uncertainty alone may be sufficient to create a mild recession before the end of 1985.

Quarterly Profile of GNP

	1984-3	1984-4	1985-1	1985-2	1985-3	1985-4
Real:	1.9	2.4	2.9	2.2	2.3	2.1
Price:	3.7	4.1	5.1	4.2	4.7	4.8
Nominal:	5.7	6.6	8.1	6.5	7.1	7.0

Monthly Statistical Highlights for November 1984

Personal income +0.6%; savings rate 6.2%; personal consumption +0.9%; retail sales +0.5%; auto sales 10.0 million; housing starts -0.1%; housing permits -1.1%; construction expenditures -0.1%; business inventories +0.6%; orders for durable goods +3.1%; orders for nondefense capital goods +3.5%; industrial production +0.4%; CPI +0.4%; PPI +0.6%; consumption deflator +0.4%; leading indicators +0.2%; real GNP +3.0%; M1 +10.8%; M2 +9.4%.

Monthly Statistical Highlights for December 1984

Payroll employment +112,000; index of hours worked -0.1%; household employment +159,000; civilian unemployemnt rate 7.4%; personal income +0.7%;

savings rate 6.0%; personal consumption +0.7%; retail sales +0.8%; auto sales 10.2 million; housing starts -0.3%; housing permits -2.6%; construction expenditures +0.1%; business inventories +0.7%; orders for durable goods +2.2%; orders for nondefense capital goods +4.0%; industrial production +0.4%; CPI +0.3%; PPI +0.3%; consumption deflator +0.4%; leading indicators +0.4%; real GNP +6.0%; M1 +10.8%; M2 +10.5%.

COMMENTARY

Employment - Retailers were aggressive in adding to their personnel in the hopes of a Christmas that does not appear to be materializing. As a result, payroll growth is expected to be sharply reduced in the months ahead. Also, the hours worked are growing more rapidly than output, suggesting that imbalances are developing in the labor market. This instability in labor market pressures has led to a moderation in wage demands. The hourly earnings index is now only 3.1% above previous year highs, the lowest level of this entire expansion. In the past three months, hourly earnings have increased at only a 2.5% annual rate.

Personal Income and Outlays - Strong gains in property income led to slightly higher gains in personal income than originally anticipated. With interest rates currently declining, gains in property income should develop more slowly, especially early in 1985. The absence of further tax benefits indicates that disposable income will be growing more slowly than personal income in the next twelve months, a reversal of conditions that prevailed in the previous three years. Although estimated savings have been raised from forecasted values, the savings rate still falls more sharply in 1985 than consumer theory would suggest. Thus, further downward revisions in outlays and in economic activity are possible.

Personal outlays provide a better reading of consumer activity than the advanced report on retail sales. According to the advanced report, durable goods spending rose. However, sales of auto units indicate that auto sales should have fallen. The outlays figures clearly confirmed that the advance retail sales estimates were in error and require substantial downward revisions next month. Those revisions have not been included in our projections, although the retail estimates for November have been made consistent with the unit auto sales occurring at that time.

Weakness in auto sales during the last 10 days of November cannot be ignored as a delayed effect of the GM strike. The decline to 6.4 million domestic units strongly suggests that consumers may be less willing to support the economy than our projections suggest. An important signal of auto sales activity has been prices for used automobiles. If availability had been a significant factor, used car prices should be rising. However, used car prices have declined in three of the past four months. It is possible that our projections for automobile sales are too high and will need to be revised downward in our next report.

Construction - Sales of single family residences suggest that single family housing starts are about to bottom-out. Increases are expected in the months ahead. Indeed, single-family activity could exceed our current projections if interest rates remain moderate. Unfortunately, the uncertainty created by tax reform proposals almost certainly will slow multi-family activity. In addition, any recessionary tendencies would adversely affect the magnitude of housing recovery.

Although uncertainty also may have an adverse effect upon non-residential construction, projects already in various phases of completion should be sufficient to ensure reasonable growth in expenditures on nonresidential projects through the end of 1985. Slowing beyond that period of time, or an actual decline, could then materialize. Public construction continues to be favored by financing for highways. However, a significant slowing in such construction gains is expected late in 1985.

Business Activity - Although business inventories are growing at reduced rates from earlier in the year, business sales continue to lag behind. As a result, the inventory overhang continues to build. If sales do not rebound in the next few months, a more substantial inventory correction may be required. Desired inventories almost certainly will grow more slowly than originally projected as economic growth also slows. There is no evidence at the present time, however, that any changes have occurred in desired inventories relative to sales.

One of the most disconcerting influences has been the drop in nondefense capital goods orders. These orders now are running more than $1 billion below shipments and soon should be slowing shipments if an orders rebound does not materialize. Some strength in orders is expected to develop, although the capital spending boom appears to be over.

Prices - The construction deflator continues to be a surprise. In October the index fell by nearly 0.4%. As interest rates decline, prices of some building materials are expected to rebound. However, the magnitude of increasing costs is expected to remain modest. Also, current pressures exerted upon the construction industry should continue to restrain construction wages. Only site costs appear to be a significant problem at the present time. Indeed, implicit construction costs probably will rise by less than 3.7% in the next twelve months.

Prices for consumer nondurables are expected to stall in the spring, as petroleum prices are expected to drop at that time. This will also have a constraining effect upon the Consumer Price Index. Consumer prices may grow more slowly in the second quarter than in the first quarter of 1985. However, expected weakness in the value of the dollar should lead to rising inflationary pressures late in 1985. Nevertheless, moderation of inflation for consumer goods might be the offset necessary to preserve a reasonable degree of economic expansion.

Miscellaneous - Unusual factors appear to have distorted the trade deficits during the third quarter. In July, retailers rushed to accumulate foreign goods before import restrictions were imposed. In fact, most of those restrictions never materialized. The swing in trade balances during September and October appear to reflect reporting difficulties rather than changes in economic conditions. The slowing in economic conditions in the United States should slow the growth of imports. As a result, trade deficits are not expected to be quite as large as anticipated a month ago.

Reduced inflationary pressures have diminished the inventory valuation adjustments. In fact, negative inventory profits appear to have occurred in August and September. No significant inventory profits are anticipated until the latter months of 1985. This means that the quality of reported profits will remain unusually high. On the other hand, it will be difficult to further improve the quality of profits from their current levels.

FINANCIAL MARKETS

Money demand continues to be surprisingly weak through the first part of November. A rebound in the money stock in the middle of November was partly related to seasonal distortions, but signs of some strength in money demand also appeared. This should generate increased money growth in the next few months, although the ratio of money-to-monetary base is not expected to exceed 2.57 in 1985. By contrast, the ratio slightly exceeded 2.60 for a few months early in 1984.

Until this increased money demand surfaced, sensitive short-term interest rates continued to tumble. We are now anticipating some firming in those rates, as the 9.07% federal funds rate for December is above current quotations. It should be noted that commercial paper led the federal funds rate downward, clearly indicating that private market demand pressures rather than Federal Reserve restraint has been responsible for current interest rate movements. The sluggishness in projected economic activity suggests that sensitive short-term interest rates will trade in a remarkably narrow band throughout 1985. Although the prime rate may not fall significantly below 11%, acccording to our latest projection, no significant rise in the prime rate is anticipated either. Little further improvement is anticipated for long-term interest rates, although the possibility that tax reform could change the savings-investment mix in favor of significantly lower interest rates cannot be ruled out. Indeed, investors probably should be accumulating long-term bonds at the present time. The municipals market has deteriorated dramatically as a result of enormous supply. This supply should taper off significantly early in 1985. Although tax reform could have an adverse effect upon individual desires for acquiring municipal bonds, changes in the supply of tax exempt bonds for private purposes could completely offset the adverse marginal tax rate impact. With municipals currently trading at .85 of Corporate Aaa, little further deterioration is expected in that market. Indeed, speculators probably could receive a higher return by acquiring long-term municipal bonds than by purchasing other long-term instruments.

Equity Markets - Corporate profits will continue to decline, at least until declining short-term interest rates begin to provide relief from reduced financing costs. In addition, the uncertainty surrounding tax reform could adversely impact the market value of equity ownership. We feel the markets will fall to a Dow Jones of 1100 early in 1985. More significant declines are possible if a full fledged recession develops. However, declining interest rates should begin rallying the equity markets before the end of 1985. A rebound to new highs in 1986 seems likely under most scenarios.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	94350	94350	112.6	112.6	105395	105395	7.5	7.5	160.8	160.8
August	94532	94523	112.6	112.7	104969	104969	7.5	7.5	160.6	160.6
September	94671	94807	113.2	113.4	105239	105239	7.4	7.4	161.7	161.6
October	95195	95150	113.3	113.2	105655	105586	7.4	7.4	162.0	161.4
November	95317	95453	113.5	114.0	105820	105872	7.4	7.2	162.4	162.1
December	95478	95529*	113.8	113.9*	106012	106022*	7.5	7.4*	162.8	162.6*
January 1985	95622	95663	113.9	113.9	106307	106110	7.4	7.5	163.5	163.2
February	95811	95704	114.1	113.8	106629	106262	7.3	7.5	164.2	163.8
March	96015	95866	114.2	113.8	106948	106538	7.2	7.4	164.9	164.5
April	96193	96037	114.4	114.0	107126	106772	7.2	7.3	165.5	165.1
May	96328	96186	114.7	114.1	107378	107193	7.1	7.2	166.0	166.3
June	96463	96335	115.0	114.3	107622	107249	7.1	7.2	167.3	166.9
July	96605	96484	115.1	114.3	107765	107482	7.1	7.2	168.1	167.5
August	96779	96623	115.2	114.5	107900	107706	7.1	7.1	168.8	168.2
September	96953	96765	115.3	114.7	108035	107894	7.1	7.1	169.4	168.8
October	97065	96926	115.4	114.8	108192	108171	7.0	7.1	169.4	168.8
November	97154	97053	115.6	114.9	108326	108198	7.1	7.2	170.1	169.4
December	97242	97178	115.8	115.1	108455	108451	7.1	7.1	170.9	170.0

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	3.027	3.027	1.812	1.812	158.5	161.4	2.587	2.588	2.428	2.427
August	3.045	3.045	1.816	1.817	174.2	176.7	2.603	2.605	2.429	2.429
September	3.071	3.068	1.828	1.829	161.5	154.8	2.625	2.625	2.463	2.470
October	3.087	3.086	1.835	1.833	160.9	170.9	2.636	2.640	2.475	2.469
November	3.106	3.106*	1.848	1.843*	147.9	163.8*	2.649	2.655*	2.501	2.491
December	3.125	3.127	1.858	1.852	143.9	161.2	2.662	2.671	2.518	2.510
January 1985	3.134	3.138	1.870	1.863	135.1	149.4	2.671	2.680	2.536	2.531
February	3.148	3.157	1.879	1.873	131.4	150.1	2.685	2.695	2.554	2.545
March	3.163	3.172	1.888	1.884	134.3	152.3	2.701	2.712	2.567	2.560
April	3.181	3.192	1.898	1.893	127.1	144.4	2.715	2.723	2.588	2.579
May	3.201	3.208	1.909	1.902	122.4	145.3	2.729	2.735	2.607	2.590
June	3.220	3.225	1.921	1.912	128.7	141.7	2.744	2.748	2.615	2.606
July	3.241	3.242	1.931	1.919	129.1	140.5	2.760	2.761	2.631	2.621
August	3.261	3.265	1.942	1.929	130.0	142.6	2.776	2.780	2.646	2.637
September	3.280	3.284	1.952	1.941	129.0	142.5	2.793	2.795	2.664	2.653
October	3.299	3.300	1.963	1.949	126.5	133.9	2.810	2.807	2.684	2.673
November	3.318	3.318	1.973	1.958	119.6	136.8	2.821	2.822	2.701	2.685
December	3.339	3.335	1.984	1.969	117.8	132.2	2.833	2.835	2.715	2.703

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	2348.7	2347.1	320.2	320.2	859.2	859.2	1169.2	1167.6	1064.8	1064.8
August	2347.8	2347.5	313.6	312.5	856.1	853.5	1181.8	1181.4	1058.5	1058.2
September	2381.3	2387.9	318.1	322.7	874.5	870.6	1188.7	1194.6	1070.3	1073.9
October	2391.7	2386.2	319.5	319.7	876.9	866.3	1195.3	1200.2	1070.6	1067.5*
November	2416.5	2407.3*	325.8	323.9*	884.7	874.1*	1206.0	1209.3*	1077.4	1072.9
December	2432.3	2424.9	327.6	328.0	888.0	879.3	1216.7	1217.6	1080.5	1076.7
January 1985	2449.9	2444.7	330.5	332.0	893.5	886.0	1225.9	1226.7	1084.5	1081.5
February	2466.4	2457.9	332.4	331.4	898.8	891.3	1235.2	1235.2	1088.0	1082.8
March	2478.5	2471.7	330.7	332.9	903.2	893.9	1244.6	1244.9	1089.5	1084.7
April	2498.7	2489.5	332.8	335.9	910.8	900.3	1255.1	1253.3	1094.5	1089.6
May	2516.4	2499.6	335.3	333.8	915.3	903.4	1265.8	1262.4	1097.9	1089.9
June	2524.2	2515.3	334.5	333.4	914.7	910.1	1275.0	1271.8	1097.0	1092.2
July	2538.8	2528.6	335.0	333.1	919.5	914.6	1284.3	1280.9	1098.6	1093.8
August	2553.1	2544.6	333.7	334.4	925.8	919.9	1293.6	1290.3	1100.0	1096.6
September	2570.1	2558.7	334.5	333.3	934.2	926.0	1301.4	1299.4	1103.0	1098.0
October	2588.6	2578.4	336.3	336.9	939.7	931.9	1312.6	1309.6	1105.8	1102.4
November	2605.6	2589.5	337.5	334.9	944.3	936.1	1323.8	1318.5	1107.8	1102.2
December	2618.5	2606.1	337.5	336.6	945.9	941.7	1335.1	1327.8	1108.1	1104.8

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	107.44	107.44	15.44	15.44	10.6	10.6	69.99	69.99	22.02	22.02
August	106.81	106.61	15.58	15.60	9.9	9.9	70.15	69.83	21.08	21.08
September	108.52	107.87	15.52	15.58	10.2	10.2	71.64	71.21	21.36	21.09
October	108.88	107.72	15.57	15.80	10.0	9.7	71.84	70.09	21.47	21.83
November	110.25	108.21*	15.44	15.74*	10.4	9.8	72.48	70.72*	22.33	21.75*
December	111.00	109.10	15.40	15.76	10.8	10.2*	72.75	71.14	22.85	22.20
January 1985	111.72	110.11	15.46	15.72	10.8	10.8	73.20	71.68	23.06	22.71
February	112.37	110.47	15.45	15.81	10.8	10.7	73.63	72.11	23.29	22.55
March	112.33	110.86	15.48	15.84	10.6	10.7	73.89	72.33	22.96	22.69
April	113.26	111.72	15.43	15.93	10.8	10.8	74.41	72.84	23.42	22.95
May	113.95	111.73	15.52	15.96	10.9	10.6	74.78	73.09	23.65	22.68
June	113.61	112.22	15.50	16.02	10.7	10.5	74.83	73.63	23.28	22.57
July	114.16	112.56	15.57	16.10	10.7	10.4	75.22	74.00	23.36	22.46
August	114.43	113.14	15.91	16.18	10.4	10.4	75.74	74.43	22.78	22.53
September	115.21	113.50	15.89	16.27	10.4	10.3	76.43	74.92	22.89	22.31
October	115.87	114.39	15.89	16.41	10.5	10.3	76.88	75.40	23.10	22.58
November	116.39	114.50	15.97	16.40	10.5	10.2	77.26	75.74	23.16	22.36
December	116.41	115.15	16.14	16.49	10.3	10.2	77.49	76.19	22.78	22.47

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	280.0	280.0	101.70	101.70	27.65	27.65	25.86	25.86
August	283.5	283.5	102.02	102.02	26.50	26.50	26.05	26.05
September	285.2	285.4	97.61	98.68	27.10	27.84	27.46	27.74
October	287.8	286.6	95.63	95.21	26.25	25.25	27.05	26.44
November	290.3	288.2*	97.26	98.15	27.03	26.14	27.23	26.59
December	292.6	290.3	98.41	100.30	27.49	27.18	27.41	27.03
January 1985	294.8	292.4	99.53	98.64	27.63	26.63	27.86	27.15
February	296.9	294.3	99.96	100.92	27.99	27.41	28.01	27.46
March	299.5	296.0	98.27	100.55	28.05	27.38	28.17	27.41
April	301.4	297.8	100.05	101.43	28.07	27.54	28.32	27.32
May	303.9	299.4	100.83	102.27	28.15	27.68	28.49	27.49
June	306.5	300.6	101.26	103.14	27.92	28.02	28.66	27.63
July	309.0	302.0	100.95	103.29	27.84	28.05	28.79	27.81
August	311.2	304.1	101.83	102.75	28.06	27.96	28.91	27.92
September	313.2	305.8	102.27	101.46	28.55	28.09	29.06	28.04
October	315.2	307.3	103.36	102.66	28.52	28.32	29.37	28.09
November	317.4	308.9	103.35	103.94	28.52	28.32	29.47	28.05
December	319.9	310.4	104.42	103.55	28.69	28.30	29.58	28.42

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	551.2	551.2	5.99	5.99	165.8	165.9	82.7	82.7
August	556.2	556.2	6.13	6.13	166.1	166.1	82.6	82.6
September	558.5	559.8	5.88	6.14	165.1	165.2	81.9	82.0
October	564.6	562.3*	6.15	6.31	165.6	165.2	82.0	81.8
November	567.8	565.9	6.31	6.26	166.4	165.9*	82.2	82.0*
December	571.9	570.0	6.47	6.42	167.0	166.5	82.4	82.2
January 1985	576.3	573.7	6.56	6.53	167.0	166.6	82.2	82.0
February	580.7	577.4	6.64	6.71	166.9	166.8	82.0	81.9
March	584.9	580.7	6.71	6.75	167.4	167.0	82.1	81.8
April	588.7	584.6	6.86	6.84	167.8	167.3	82.1	81.9
May	592.5	587.7	6.95	6.95	168.2	167.5	82.2	81.9
June	597.9	590.3	6.95	7.01	168.5	167.8	82.2	81.9
July	602.5	593.3	7.13	7.11	168.9	168.1	82.3	81.9
August	606.4	597.8	7.39	7.20	169.2	168.3	82.3	81.8
September	610.8	601.0	7.42	7.28	169.5	168.6	82.3	81.8
October	614.7	603.9	7.49	7.35	169.8	169.0	82.3	81.9
November	618.8	607.0	7.55	7.43	170.3	169.3	82.4	82.0
December	622.0	609.9	7.62	7.51	170.7	169.5	82.5	81.9

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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	1.754	1.754	0.990	0.990	1.565	1.565	311.2	311.2	191.0	191.0
August	1.539	1.539	0.932	0.932	1.506	1.506	311.6	311.0	190.9	190.6
September	1.676	1.663	1.009	1.009	1.424	1.439	312.5	310.5	191.0	189.7
October	1.596	1.515	0.968	0.932	1.397	1.408	313.9	315.8	191.4	193.7
November	1.582	1.513*	0.985	0.916*	1.406	1.392*	314.9	315.5*	191.5	192.7*
December	1.562	1.508	0.984	0.924	1.411	1.356	316.0	315.7	191.6	192.5
January 1985	1.531	1.519	0.962	0.947	1.385	1.341	315.0	313.4	190.7	190.8
February	1.542	1.514	0.951	0.962	1.371	1.350	313.4	314.9	189.4	191.2
March	1.523	1.509	0.943	0.983	1.352	1.356	311.0	315.9	187.6	191.5
April	1.548	1.504	0.968	1.007	1.379	1.347	313.8	317.3	188.6	191.8
May	1.569	1.524	0.997	1.032	1.401	1.362	317.0	318.2	189.8	191.8
June	1.599	1.553	1.017	1.056	1.443	1.388	320.0	319.3	190.9	191.8
July	1.637	1.598	1.043	1.092	1.502	1.427	323.9	321.4	192.8	192.3
August	1.678	1.616	1.056	1.085	1.509	1.452	327.3	324.0	194.2	193.2
September	1.734	1.624	1.069	1.091	1.543	1.466	329.7	326.3	195.2	194.0
October	1.762	1.669	1.118	1.126	1.558	1.489	333.9	328.7	197.0	194.6
November	1.801	1.715	1.173	1.163	1.579	1.528	336.8	330.4	198.0	195.1
December	1.846	1.729	1.227	1.198	1.608	1.563	339.7	334.7	198.9	196.9

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	119.7	119.7	56.2	56.2	135.3	135.3
August	120.0	120.7	56.2	56.5	135.4	133.8
September	121.3	121.9	56.7	57.4	134.5	131.2
October	122.6	124.0	57.3	57.8	134.0	134.0
November	123.9	125.3*	57.8	58.5*	133.2	131.7*
December	125.1	126.0	58.4	58.9	132.5	130.8
January 1985	125.6	126.6	58.8	59.4	130.6	127.4
February	125.9	127.2	59.0	59.8	128.5	127.9
March	126.2	127.7	58.4	60.1	126.4	128.1
April	127.0	128.4	59.0	60.4	127.8	128.5
May	127.9	129.1	59.8	60.7	129.3	128.4
June	128.5	129.9	60.6	61.0	130.9	128.4
July	129.6	130.6	60.9	61.4	133.4	129.4
August	130.0	131.3	60.8	61.8	136.5	130.9
September	128.8	131.9	60.8	62.1	140.1	132.3
October	129.7	132.2	61.5	62.5	142.7	134.0
November	130.9	132.0	61.7	62.9	144.2	135.5
December	132.1	133.5	61.8	63.3	145.8	137.9

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	311.0	311.0	292.2	292.2	324.0	324.0	223.85	223.80
August	312.4	312.4	291.9	291.9	323.5	323.5	224.39	224.43
September	313.6	313.5	291.3	291.4	322.3	322.3	224.84	225.08
October	314.5	314.8	292.2	290.8	324.0	323.2	225.80	225.81
November	315.8	316.0*	293.0	292.6*	324.7	323.3*	226.81	226.76
December	317.0	317.1	293.8	293.5	325.3	324.0	227.80	227.60
January 1985	318.0	318.2	294.7	294.4	326.0	324.8	228.93	228.70
February	319.1	319.6	295.7	295.3	326.6	325.4	229.51	229.61
March	320.2	320.8	296.6	296.2	327.2	326.0	230.09	230.44
April	321.4	321.6	297.3	296.5	327.0	325.5	231.02	231.09
May	322.6	322.7	298.4	297.4	328.0	325.9	231.90	231.94
June	323.9	324.1	299.6	298.3	328.6	326.8	232.78	232.91
July	325.4	325.4	300.7	299.2	329.4	327.9	233.70	233.79
August	326.9	326.5	301.9	299.5	330.1	328.6	234.62	234.64
September	328.3	327.9	303.1	300.4	330.8	329.4	235.54	236.58
October	329.7	329.2	304.6	301.3	332.4	331.3	236.60	236.47
November	331.1	330.6	305.8	302.5	332.8	332.0	237.54	237.46
December	332.5	332.0	307.1	303.7	333.3	332.9	238.47	238.35

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1984	220.6	220.4	179.4	179.4	216.9	216.9	238.5	238.2	162.9	162.9
August	221.8	221.8	179.2	179.1	218.3	218.2	239.8	239.8	163.2	163.2
September	222.5	222.4	179.1	179.3	218.6	218.3	241.0	241.3	163.6	163.7
October	223.4	223.5*	180.3	180.0*	219.3	219.1*	242.1	242.7*	164.0	163.2
November	224.3	224.4	181.3	180.7	219.9	219.6	243.3	244.0	164.4	163.7*
December	225.1	225.2	182.2	181.4	220.4	220.1	244.4	245.3	164.9	164.0
January 1985	225.9	226.0	182.7	182.0	220.9	220.7	245.7	246.5	165.2	164.3
February	226.7	227.0	182.9	182.5	221.4	221.4	246.9	247.7	165.5	164.7
March	227.5	227.9	183.0	182.8	221.9	222.0	248.0	249.0	165.8	165.0
April	228.3	228.5	183.3	182.5	222.6	222.4	249.3	250.3	166.4	165.4
May	229.2	229.3	183.1	182.9	223.1	222.7	250.7	251.6	167.0	165.9
June	230.1	230.3	183.7	183.4	223.5	223.2	252.0	253.0	167.6	166.5
July	231.1	231.2	184.0	183.8	224.3	223.7	253.3	254.3	168.0	167.1
August	232.1	232.0	184.4	184.2	225.2	224.1	254.7	255.7	168.5	167.7
September	233.0	233.0	184.8	184.7	226.1	224.7	256.0	257.0	168.9	168.2
October	234.1	233.9	185.2	185.0	226.9	225.6	257.4	258.2	169.5	168.9
November	235.2	234.9	185.7	185.4	227.7	226.3	258.8	259.6	170.1	169.4
December	236.3	235.9	186.2	185.8	228.5	227.1	260.2	260.9	170.8	170.0

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